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Message Text

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PAGE 01 SINGAP 03052 200954Z
ACTION OPIC-06

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R 200920Z JUL 77
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E.O. 11652: N/A
TAGS: EINV, SN, US
SUBJ: LETTER ON OPIC COVERAGE FROM GOS FINANCE MINISTER

1. FOLLOWING IS THE TEXT OF A LETTER FROM GOS FINANCE MINISTER HON SUI SEN REGARDING OPIC INVESTMENT INSURANCE COVERAGE FOR SINGAPORE:

"DEAR MR. HOLDRIDGE

IT HAS JUST COME TO MY ATTENTION THAT, ON TUESDAY, 26 JULY 1977, THE BOARD OF DIRECTORS OF THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) WILL MEET TO CONSIDER, AMONG OTHER THINGS, PROPOSALS TO EXCLUDE SEVERAL COUNTRIES FROM THE ENTITLEMENT OF INSURANCE COVERAGE FOR AMERICAN PRIVATE INVESTMENTS. I UNDERSTAND THAT SINGAPORE WOULD BE ONE OF THESE COUNTRIES BECAUSE OF OUR COMPARATIVELY "HIGH" PER CAPITA INCOME. THIS HAS COME INDEED AS A GREAT SURPRISE TO ME. HAVING REGARD TO THE INTEREST OF BOTH OUR COUNTRIES, MY GOVERNMENT IS VERY MUCH CONCERNED ABOUT THIS.

AS YOU ARE AWARE, US PRIVATE INVESTMENT IN SINGAPORE IS OF MUTUAL INTEREST TO BOTH THE US AND SINGAPORE. THE IMPORTANT CONSIDERATIONS ARE:

(A) AMERICAN INVESTMENTS IN SINGAPORE DO NOT COME FROM THE SO CALLED "RUN-AWAY" INDUSTRIES. THEY ARE HERE TO USE SINGAPORE AS AN ASSEMBLY AND DISTRIBUTION CENTRE FOR THE SALE OF THEIR PRODUCTS IN ASIA AND THE MIDDLE EAST. THESE INCLUDE SUCH COMPANIES AS CATERPILLAR, INGERSOLL, MOBIL, HUGHS TOOLS

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AND FMC. OTHERS, SUCH AS MORGAN GUARANTEE TRUST COMPANY WHICH IS PRESENTLY APPLYING FOR OPIC INSURANCE, ARE BENEFITTING FROM NOT ONLY THEIR BANKING AND FINANCIAL OPERATIONS IN SINGAPORE BUT ALSO IN PROMOTING AMERICAN TRADE IN THE ENTIRE REGION. THUS, ANY ATTEMPT TO IMPEDE US PRIVATE INVESTMENT IN SINGAPORE WOULD BE TANTAMOUNT TO THE CURTAILMENT OF AMERICAN EXPORTS AND FINANCIAL INTEREST IN SOUTHEAST ASIA.

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(B) SINGAPORE PROVIDES DISTRIBUTION AND FINANCIAL SERVICES AT LOW COST TO ALL ASEAN COUNTRIES. ANY CURTAILMENT OF AMERICAN PRIVATE INVESTMENT HERE WOULD WEAKEN NOT ONLY THE SINGAPORE ECONOMY BUT THE DEVELOPMENT OF ALL ASEAN COUNTRIES. IN THE LONG RUN, THIS MAY AFFECT THE ECONOMIC AND POLITICAL STABILITY OF THE REGION AS A WHOLE.

(C) AT ANY RATE, US INVESTMENT IN SINGAPORE IS NOT LARGE. AS OF TODAY, IT IS ESTIMATED AT US$480 MILLION. IN COMPARISON, JAPANESE PRIVATE COMPANIES HAVE NOW COMMITTED UP TO US$1,150 MILLION, INCLUDING THE RECENTLY APPROVED PETRO-CHEMICAL PROJECT. THUS, US INVESTMENT IN SINGAPORE WILL SHORTLY BE LESS THAN 50 PERCENT OF JAPANESE PRIVATE INVESTMENT.

(D) SINGAPORE IS FIRMLY COMMITTED TO PRIVATE ENTERPRISE. IT HAS NOT ASKED FOR ANY AMERICAN AID. SINGAPORE BELIEVES IN THE FREE FLOW OF INTERNATIONAL TRADE AND PRIVATE INVESTMENT. IT ENCOURAGES PRIVATE US INVESTMENT FOR THE BENEFIT OF BOTH COUNTRIES.

(E) BEFORE THE US WITHDRAWAL FROM VIETNAM, SOME OF THE US COMPANIES INVESTING HERE HAD NOT ASKED FOR OPIC INSURANCE COVERAGE. HOWEVER, ALL COMPANIES ARE NOW SEEKING OPIC COVERAGE. THIS DEVELOPMENT IS BEYOND THE CONTROL OF SINGAPORE.

(F) SINGAPORE IS A CITY ECONOMY WITH NO NATURAL RESOURCES. THUS, THE CRITERION OF PER CAPITA INCOME IS MISLEADING AND IRRELEVANT FOR CONSIDERING THE STUTUS OF ITS DEVELOPMENT.

(G) THE US GOVERNMENT INDICATED THAT THEY WOULD LIKE TO HAVE CONSULTATIONS WITH ASEAN COUNTRIES IN SEPTEMBER IN MANILA.
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THUS, ANY OPIC CONSIDERATION SHOULD BE DEFERRED PENDING SUCH CONSULTATIONS.

IN VIEW OF THE IMPORTANCE AND URGENCY OF THE MATTER, I SHOULD BE GRATEFUL IF YOU WOULD BRING THE ABOVE FACTS TO THE ATTENTION OF YOUR GOVERNMENT BEFORE OPIC MEETS ON TUESDAY, 26 JULY 1977.
SINCERELY YOURS, HON SUI SEN, MINISTER FOR FINANCE."

2. NOTE: HON'S LETTER CITES FIGURE OF $480 MILLION FOR US INVESTMENT IN SINGAPORE, WHICH IS MUCH LESS THAN OUR FIGURE OF OVER $1 BILLION. DIFFERENCE MAY BE THAT GOS IS NOT FULLY COUNTING US INVESTMENT IN OIL REFINERY SECTOR. HOLDRIDGE

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Control Number: n/a
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Sent Date: 20-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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